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ABSTRACT

School finance reform will still be a major issue in the 1980s, in both state legislatures and the courts. Reform efforts have concentrated on four issues: differences in expenditure per pupil across districts within a state, links between expenditure disparities and district property wealth, services for special needs students, and unique conditions of some types of districts. Actions in the 1970s began with court challenges and moved to legislated finance reforms, which have reduced the expenditure-wealth link. The 1970s reform activities also helped maintain total education expenditures and increase the state share of such spending. In the 1980s the demographic, political, and economic contexts of school finance will include declining school-age populations, increasing proportions of minority students, potential decreases in political support, competition with tax limitation movements, and political fragmentation within the education community. Seven issues will dominate school finance in the 1980s, including continued basic school finance reforms, finance reforms' linkage to tax structure questions, educational program and service equity concerns, educational productivity, simplification of categorical programs, the relationship between school finance and state and local finance in general, and continued litigation on school finance. (RW)

WORKING PAPERS IN EDUCATION FINANCE

Working Paper No. 36

PUBLIC SCHOOL FINANCE: PROGNOSIS FOR THE 1980s

by

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Introduction

Changing unfair state school finance structures was one of the most active education policy reform activities of the 1970s. Court suits in numerous states overturned on state constitutional grounds inequitable school financing practices, legislatures responded by enacting revised systems of state aid to local school districts, and education experienced an unprecendented fiscal boom. From an issue that was discussed only among school finance technicians and virtually ignored by state policymakers, financing of public elementary and secondary schools moved front stage and became the number one education issue during the 1970s. As the 1980s begin, state policy makers still view school finance as a top priority and the school finance reform movement is robust and active, both in state legislatures and in the courts.

The Basic School Finance Problem

School finance reform efforts have concentrated on four basic issues. The first is wide differences in expenditures per pupil that exist across school districts within a state. These dramatic spending differences reflect great disparities in education programs and services provided to children simply as a result of the particular school district in which the student's parents happen to reside. The reform objective has been to decrease these disparities.

The second has been the link between expenditure disparities and local district wealth. Spending differences are not just a random phenomenon; they do not occur simply by happenstance. In most states, the higher spending, greater service districts tend

to be wealthy in property wealth per pupil and above average in household income. The lower spending, lesser service districts tend to be poor in property wealth and below average in household income. In short, the wealthy are advantaged and the poor disadvantaged. The reform objective has been to eliminate the advantage of wealth.

The third has been the need to provide extra services for special need students. Expenditure per pupil differences have not been related to differences in the location of students with special needs such as the handicapped, low achieving, poverty, bilingual, migrant and Indian student. In fact, often those districts with the highest concentration of special need students have been the low income, poor districts with low expenditures per pupil. In addition, state programs for allocating aid for special pupil needs usually provide less than the costs of providing the extra services and often provide less on a per pupil basis to the districts with the highest concentrations of these students. The reform objective has been to make state programs for special pupil needs adequate and more equitable.

Fourth has been attention to unique conditions of certain types of school districts. Spending differences are associated with geographic location in many states. Suburban areas tend to be better off in fiscal capacity and tend to have the bulk of the high spending, higher wealth school districts. Central city school districts and many rural school districts, both of which have major problems in raising local revenues, often experience fiscal stress and need special attention by state equalization aid

programs. The reform objective has been to treat these unique problems more comprehensively.

Action in the 1970s

For years, these aspects of state school finance structures were recognized as unfair to students and taxpayers alike. In the 1970s, however, they were challenged in the courts. In many states -- California, Connecticut, New Jersey and Washington to name a few -- courts declared them in violation of state constitutional equal protection and education clauses. As a result, state courts mandated legislatures to enact reformed financing systems that eliminated the link between the quality and levels of school services and local school district wealth, and as the cases mounted, the courts also mandated adequate state funding of programs for special student needs and unique district characteristics.

In response, over half of the 50 states passed school finance reforms during the 1970s. While assuming a different form in each state, the objective of the reform measures was to reduce wide differences in expenditures per pupil by targeting new state aid to low spending, low wealth and low income school districts, in short, "leveling up." The reforms focused specifically on breaking the link between spending per pupil and local wealth.

The impact of these reforms has been fairly dramatic. In most states that have enacted reforms, the link between expenditures per pupil and local property wealth per pupil have been diminished. In states without reforms, the link remains. In

reform states, differences in expenditures per pupil also have been reduced; in nonreform states, expenditure disparities have increased. Finally, in reform states, the state financial role in supporting elementary and secondary education has risen considerably while the state role in nonreform states has remained constant or dropped (See Odden, Berne and Stiefel, Equity in School Finance, ECS, 1979).

As a result, in part, of the school finance reform activity, the decade of the 1970s was remarkably good for education from a fiscal perspective. First, as the 1980s begin education expenditures consume about the same percentage of both the country's gross national product and personal income as at the beginning of the 1970s; this robust performance occurred at a time both when enrollments in education dropped substantially and government services for other functions such as energy, transportation, and social security expanded dramatically. Second, there was a dramatic rise in total school revenues from state, local and federal sources. State aid alone nearly tripled, increasing from $16 million in 1970 to $45 billion in 1980, a rise of $29 billion. Education expenditures per pupil nearly doubled; when adjusted for inflation, there was a real rise in per pupil spending of about 40 percent. Third, an important shift in the sources of public school revenues occurred. While the federal role remained stable at about 8 percent, the state role increased to nearly 50 percent while the local role dropped. This trend is likely to continue throughout the 1980s. Thus there will be a

falling reliance on unpopular, local property taxes and a rising dependence on more popular, state sales and income taxes.

In addition, to the numerous school finance reforms and the overall fiscal changes, the 1970s also witnessed a dramatic growth in state programs for special pupil populations. Indeed, as the 1980s begin states and local school districts provide substantially more revenues for programs for the low achieving, poverty, handicapped, migrant and other special need student than does the federal government, although all levels of government today share in the commitment to provide the extra and high cost services to these needy students.

The Context of School Finance in the 1980s

The projection of demographic, political and general governmental expenditures into the 1980s yields a difficult environment for education. First, there will be a decline in the school age population which means a decline in the numbers enrolled in public schools. The components of this decline are more revealing. At the elementary level, enrollments generally are predicted to decline until the mid 1980s, and then stablize; the more pessimistic projections show an elementary enrollment decline throughout the 1980s. At the high school level, enrollments are predicted to decline throughout the decade, reflecting the elementary decline in the 1970s. At both levels combined, it is predicted that a greater percentage will be minority, from low income families and exhibit a greater incidence of special needs.

In a decade when there will be increased demands for energy, transportation, defense and services for the elderly, these demographic projections suggest that the education sector will have fewer persons with a direct interest in schools and, among those, increasing percentages of minorities and lower income families who historically have not participated actively in the political process.

This potential drop in direct political support will occur at a time when public opinion about the nation's schools has been declining for seven years. To further complicate this political environment, the school finance reform movement of the 1980s will have direct competition from the tax and spending limitation movement that began in the late 1970s, which means some slowing of the pace of the fiscal successes of the seventies.

And finally, this bleak political outlook occurs at a time when the politics of education is characterized by fragmentation rather than coalition building. The old parent-teacher-school-community coalitions of the 1960s fell apart in the 1970s when education came front stage in the political arena, when collective bargaining strengthened, when competition emerged between elementary/secondary and postsecondary education, and when a proliferation of special interest groups pushed for categorical aid at the expense of general support aid. It will be difficult to maintain the fiscal position of public schools in the 1980s if this fragmented politics of education is not repaired so that a unified education community can compete with what will be stiff competition from many other sources for public funds. Local

parent-teacher associations could contribute significantly to mending the political divisions that exist within education in many states.

School Finance Issues in the 1980s

Seven major issues are likely to consume the attention of school finance policy debates in the 1980s. The first is a continuation of the push to enact basic school finance reforms. Court pressure, rising education costs, and an unfinished reform agenda will contribute towards keeping this issue alive in the coming decade. In addition, an ECS survey of state governors, legislators and state-level educators revealed basic reform in state school aid structures as the number one ~~education~~ issue. In short, education finance was the top issue in the 1970s and is likely to continue as the top issue in the 1980s..

Second, tax relief, tax reform and the close relationship between school finance structures, and the structure and administration of the education tax system will also be high on state policymaking agendas. Just as property tax relief and reform were joint issues with school finance reform in the early 1970s, the tax reform and expenditure limitation fevor of the late 1980s will spill over into the 1980s. Moreover, as the surface of school finance issues are scratched, the inextricable links to the tax system are uncovered, and the two issues should continue to be linked in this decade.

Third, there will be some movement from the simple, but still complicated issues of fiscal equity to program and service equity.

For too long, school finance circles have been content with using the broad measure of expenditures per pupil to reflect the level of school services. In the 1980s the focus will move from the indirect but important issue of fiscal equity to the more direct, but increasingly important issues of the equity of programs and services actually offered to kids.

Fourth, and related to the above, will be further work on the issue of education productivity to answer the question: Do schools make a difference? The misinterpretations of the Coleman report of the 1960s and the Jencks book of the early 1970s that schools do not make a difference still plague the education sector. In fact, considerable research conducted primarily in the latter part of the 1970s has shown that school resources are importantly related, in a variety of ways, to student performance and achievement. This work needs to be expanded and broadened. Educators no longer can ignore completely the issue of effective and efficient resource allocation. The 1980s will demand more precise rationales for resource allocation decisions. Only additional research on the questions of what resources, teachers, programs and curriculums make what types of differences, for which students, in what school districts can provide a basis for these rationales. In a decade where there will be stiff competition from all functions for scarce public resources those areas that

can show more clearly how money spent will make a difference will have a better chance to lay claim to their fair share.

Fifth, there will be a synthesis and simplication of the numerous and overlapping categorical programs for special pupil populations. Few, if any, new programs are needed. What should be the priority focus for the 1980s is a reoganization of the existing programs into some coherent whole with a push for full funding of the programs already on the books by the end of the decade. Just as a decline in the number of students in schools provides an opportunity to use the resources available to improve quality, so also the existence of an adequate number of special categorical programs for all types of students now provides the opportunity to reconceptualize how those programs can be merged at the local school level to allow for the delivery of effective and comprehensive education programs for all students and all student needs.

Sixth, greater attention will be given to the interaction between school financing in specific and the state and local public finance system in general. Often times, state and federal aid to localities for nonschool purposes can have important indirect benefits for the school district. Similarly, a failure to recognize fully the special needs of large city school districts and isolated, poor rural areas in allocating just school aid can mitigate the efficacy of the schools and exaccerbate other nonschool related problems. As school finance systems are fine tuned, the important additional problems of the fiscally pressed large city and rural school systems must be considered.

And finally, litigation both on school finance and the civil rights of special student populations will endure and continue to maintain the pressure of the courts for reform efforts by state legislatures. School finance cases now include not only the issue of wealth related expenditure per pupil disparities, but also the issues of adequate state funding of programs for special student needs, state recognition of the varying purchasing power of the dollar, state recognition of the unique circumstances of central city and isolated rural school districts, and the use of all economic factors such as property wealth, residential property and household income in allocating state school aid. In sum, litigation will continue to expand, will likely continue to be successful, and will comprise a major force in keeping alive the efforts to reform and make more equitable state education policy and state school finance structures.

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